

Senate File 2372 - Introduced

SENATE FILE _____
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SF 2091)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the issuance or redemption of gift
2 certificates, establishing restrictions on fees and charges,
3 prohibiting expiration dates, and making penalties applicable.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 5597SV 82
6 rn/nh/5

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1 1 Section 1. NEW SECTION. 555D.1 DEFINITION.
1 2 1. As used in this chapter, unless the context otherwise
1 3 requires, "gift certificate" means a writing, instrument,
1 4 record, or other tangible medium of expression generally
1 5 purchased by a buyer for use by a person other than the buyer,
1 6 or for use by the buyer at a later date, for the purchase of
1 7 goods, property, services, or other consideration sold or
1 8 provided by the seller or issuer and includes but is not
1 9 limited to all of the following:
1 10 a. An electronic card with a stored dollar value.
1 11 b. A merchandise credit.
1 12 c. A certificate or card exchangeable for the full face
1 13 value of a future purchase or delivery of goods, property,
1 14 services, or any other consideration.
1 15 d. Any other medium that evidences a grant of
1 16 consideration in exchange for the right to redeem the
1 17 certificate for goods, property, services, credit, or money of
1 18 at least an equal value as that of the certificate.
1 19 2. "Gift certificate" excludes any electronic card, or
1 20 other medium issued or sold by federally insured financial
1 21 institutions or their affiliates or operating subsidiaries,
1 22 which can be used at multiple sellers of goods and services
1 23 provided any expiration date and associated fees are
1 24 disclosed.
1 25 Sec. 2. NEW SECTION. 555D.2 GIFT CERTIFICATES == FEES ==
1 26 EXPIRATION DATES == VIOLATIONS.
1 27 1. A gift certificate shall be redeemable for its full
1 28 value. A seller, issuer, or holder of a gift certificate may
1 29 not do any of the following:
1 30 a. Assess, charge, or deduct a fee or other charge from or
1 31 with respect to a gift certificate.
1 32 b. Sell or issue a gift certificate that includes, bears,
1 33 or is otherwise subject to an expiration date.
1 34 c. Impose any other term or condition on a gift
1 35 certificate that would limit the ability of the owner to
2 1 redeem the gift certificate for its full value.
2 2 2. A violation of this section is an unlawful practice
2 3 under section 714.16.
2 4 Sec. 3. NEW SECTION. 555D.3 EXPIRATION DATES AND FEES ==
2 5 EXCEPTIONS.
2 6 1. A person or entity may enforce against the owner of a
2 7 gift certificate an expiration date in a gift certificate, and
2 8 may assess or deduct any charge or fee from the monetary value
2 9 of a gift certificate, including but not limited to a service,
2 10 maintenance, cash-out, reactivation, replacement card,
2 11 dormancy, or inactivity fee, in any of the following
2 12 circumstances:
2 13 a. The gift certificate is issued pursuant to an awards,
2 14 loyalty, or promotional program or in other similar
2 15 circumstance where no money or other thing of value is given
2 16 in exchange for the certificate.
2 17 b. The gift certificate is donated to a charitable

2 18 organization without any money or other thing of value being
2 19 given in exchange for the certificate and the charitable
2 20 organization uses the certificate solely to provide its
2 21 charitable services or for its fund-raising activities.
2 22 2. An expiration date or fee displayed on a gift
2 23 certificate which was issued or donated as provided in
2 24 subsection 1 shall be disclosed clearly and legibly on the
2 25 gift certificate in a location where it is visible to any
2 26 purchaser before purchasing the certificate, and any such
2 27 expiration date shall be at least one year from the date the
2 28 gift certificate is issued and delivered to the owner.

2 29 Sec. 4. Section 556.1, Code Supplement 2007, is amended by
2 30 adding the following new subsection:

2 31 NEW SUBSECTION. 4A. "Gift certificate" means a writing,
2 32 instrument, record, or other tangible medium of expression
2 33 generally purchased by a buyer for use by a person other than
2 34 the buyer, or for use by the buyer at a later date, for the
2 35 purchase of goods, property, services, or other consideration
3 1 sold or provided by the seller or issuer and includes but is
3 2 not limited to all of the following:

3 3 a. An electronic card with a stored or banked dollar
3 4 value.

3 5 b. A merchandise credit.

3 6 c. A certificate or card exchangeable for the full face
3 7 value of a future purchase or delivery of goods, property,
3 8 services, or any other consideration.

3 9 d. Any other medium that evidences a grant of
3 10 consideration in exchange for the right to redeem the
3 11 certificate for goods, property, services, credit, or money of
3 12 at least an equal value as that of the certificate.

3 13 Sec. 5. Section 556.9, subsection 2, Code 2007, is amended
3 14 by striking the subsection.

3 15 EXPLANATION

3 16 This bill relates to the issuance of gift certificates.
3 17 The bill provides a definition of gift certificate, which
3 18 includes a writing or instrument usable for the purchase of
3 19 goods, property, or services sold or provided by the seller or
3 20 issuer of the gift certificate, and excludes any electronic
3 21 card or other medium issued or sold by federally insured
3 22 financial institutions which can be used at multiple sellers
3 23 of goods or services, provided expiration dates and fees are
3 24 disclosed. The bill provides that a gift certificate shall be
3 25 redeemable for its full value and prohibits a seller, issuer,
3 26 or holder of a gift certificate from assessing any fee or
3 27 charge against the value of the certificate or selling or
3 28 issuing a certificate with an expiration date. Further, the
3 29 bill prohibits a seller, issuer, or holder from imposing any
3 30 other term or condition that limits the ability of the owner
3 31 to redeem the gift certificate for its full value. The bill
3 32 provides an exception to these prohibitions when a certificate
3 33 is issued pursuant to a promotional program or for charitable
3 34 fund-raising and no money or other thing of value is given in
3 35 exchange for it. The bill prescribes that an issuer in
4 1 violation of these provisions shall be subject to the consumer
4 2 fraud provisions of Code section 714.16.

4 3 The bill repeals a provision in Code chapter 556, dealing
4 4 with unclaimed property, which currently permits the deduction
4 5 from the face value of a gift certificate of a charge imposed
4 6 due to the failure of the owner of the certificate to present
4 7 it in a timely manner, provided that a valid and enforceable
4 8 written contract exists between the issuer and the owner of
4 9 the gift certificate and the issuer regularly imposes such
4 10 charges and does not regularly reverse or otherwise cancel
4 11 them.

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